



FISCAL MEMORANDUM

SB 2457 - HB 2660

March 15, 2022

SUMMARY OF BILL AS AMENDED (013680, 015927): Authorizes the Commissioner of Commerce and Insurance (DCI) to promulgate rules to effectuate the purposes of policies regarding pharmacy benefits and pharmacy benefits managers (PBMs). Requires the rules to implement audits, provide for additional requirements of PBMs, implement a complaint and administrative hearing process. Authorizes the Commissioner to charge a fee to be paid by PBMs for costs associated with administering compliance of the rules including the auditing of a PBM. Requires that any audits conducted to not occur more than once every three years.

FISCAL IMPACT OF BILL AS AMENDED:

Increase State Revenue - \$6,834,700/FY22-23 and Subsequent Years

Increase State Expenditures - \$6,834,700/FY22-23 and Subsequent Years

Assumptions for the bill as amended:

- The proposed legislation will not have a significant impact to the Division of Benefits Administration.
- Based on information provided by DCI, the department will create an examination unit which is comparable to the current Insurance Examinations Section but focused solely on PBM examinations.
- Currently, the Insurance Examinations Section includes 19 positions who work with 62 domestic insurance companies. There are currently 50 PBMs within the state; therefore, the department assumes 15 additional positions will be needed $[(50 \text{ PBMS} / 62 \text{ insurance companies}) \times 19 \text{ employees}]$.
- The DCI will require one insurance examination director position, one administrative assistant position, and thirteen insurance examiners positions beginning in FY22-23.
- There will be a recurring increase in state expenditures of \$1,234,673 $\{[(\$138,420 \text{ salary} + \$29,918 \text{ benefits}) \times 1 \text{ Insurance Examination Director position}] + [(\$41,148 \text{ salary} + \$13,761 \text{ benefits}) \times 1 \text{ Administrative Assistant position}] + [(\$60,780 \text{ salary} + \$17,022 \text{ benefits}) \times 13 \text{ Insurance Examiners positions}]\}$ in FY22-23 subsequent years.
- DCI also has 10 contracts with outside vendors who assist in accomplishing the insurance examinations currently. Each contract has a term of five years and a maximum liability of \$3,500,000. It is assumed the annual cost per contract is \$700,000 $(\$3,500,000 / 5 \text{ years})$.

- It is assumed the new PBM examination unit will enter into eight similar contracts [(50 PBMs/62 insurance companies) x 10 contracts] resulting in an increase in state expenditures of \$5,600,000 (8 x \$700,000).
- The total increase in state expenditures in FY22-23 and subsequent years is estimated to be \$6,834,673 (\$1,234,673 + \$5,600,000).
- DCI will establish a fee schedule to cover all costs to provide this service resulting in an increase in state revenue of \$6,834,673 annually.
- The net fiscal impact is considered not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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